

Fisheries Revitalization Grants**FY2008 Request: \$15,000,000****Reference No: 42925****AP/AL:** Appropriation**Category:** Development**Location:** Statewide**House District:** Statewide**Estimated Project Dates:** 07/01/2007 - 06/30/2012**Project Type:** Equipment**Recipient:** Various**Contact:** Sam Thomas**Contact Phone:** (907)465-2506**Brief Summary and Statement of Need:**

Fisheries revitalization programs. These programs contribute to the Department's mission of promoting a healthy economy and strong communities by providing economic growth in the communities it serves.

Funding:	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	Total
Fed Rcpts	\$15,000,000						\$15,000,000
Total:	\$15,000,000	\$0	\$0	\$0	\$0	\$0	\$15,000,000

<input type="checkbox"/> State Match Required	<input checked="" type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased - new	<input type="checkbox"/> Phased - underway	<input type="checkbox"/> On-Going
0% = Minimum State Match % Required		<input type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill	

Operating & Maintenance Costs:

	<u>Amount</u>	<u>Staff</u>
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	
Totals:	0	0

Additional Information / Prior Funding History:

Starting in fiscal year 2004, the Department has received approximately \$44 million in federal funding passed through the Governor's Office and the Department of Fish and Game for the Fisheries Revitalization Strategy program.

Project Description/Justification:

In 2003, the Department took part in a \$50 million federally funded, Fisheries Revitalization Strategy in an effort to turnaround the declining Alaska salmon industry. As a \$500 million industry to fishermen in the early 1990's, the industry's fall to \$160 million in 2002 caused huge financial distress to Alaska's coastal communities. The cause of this decline was huge supplies of foreign produced farmed salmon entering traditional and new markets around the globe.

Through carefully crafted equipment, infrastructure and marketing grants, the Department initiated almost \$30 million in industry and community grants. The founding program principles included strict adherence to a "cash match" requirement verification of project expenditures and completion. These important requirements increased success by infusing profit-based motivation and accountability into all projects.

By 2005, the value of salmon increased to \$330 million; a doubling of the value from three years prior. These matching grant programs were widely touted by the salmon industry as a key source of investment at a time when financing was difficult to obtain. This public commitment to the Alaska seafood industry was a powerful statement to the industry and financial institutions.

The seafood economy is different in 2007 than it was in 2003, but the challenges remain much the same for Alaska. Farmed salmon remains a constant presence and threat to the salmon industry. The industry must continue to invest in new processing equipment for new products, and market the products in new, high-value markets. While this has begun, particularly in the pink salmon industry with the increasing marketability of burgers and pouched products, much of the processing sector is moving to low-cost countries like China. Exports volumes to China grew 100% in 2005 after two years of growth in excess of 50%. The majority of these exports are pink and chum salmon for reprocessing.

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The Alaska salmon industry's processing sector, particularly for pinks and chums, is a major component of coastal, rural economies. With current production patterns shifting product to China to take advantage of cheap labor, an equipment grant program that requires production equipment to be installed in Alaska will improve the likelihood new investments will occur in Alaska.

Major privatization trends are occurring through the federal fisheries with rippling effects on state managed fisheries. This effort to privatize is shifting ownership and processing patterns away from rural communities. These areas, long reliant on the seafood economy, must invest now in their human and physical infrastructure to maintain a presence in the seafood industry.

Investments will include traditional government infrastructure projects, but may move into other market-based investments. Working in concert with major federal and state entities like the US Economic Development Administration and the Department of Transportation and Public Facilities, Commerce will match community investment into the key infrastructure projects that will reinvent coastal Alaska for fisheries in the next century. Harbors, docks, utilities, transportation, and harbor infrastructure are all important components. Further investments into ice capacity, cold storage and facilities may also play an important role in expediting the effort.

Farmed salmon brought a wave of crisis to Alaska. While the worst of farmed salmon *may* be behind the industry, there appears to be a number of other aquaculture species just in the distance. Fortunately, time remains for the other wild capture fisheries, halibut, sablefish and cod, to begin important marketing and equipment investments that will create essential product and market diversification.

The \$15 million request would be used for all of these efforts. State match funding would increase the likelihood of obtaining federal dollars. Without general fund match, the state may not qualify for federal funding for these programs.